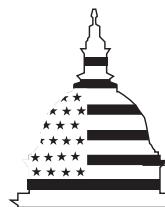


March 2001

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2000 and 1999



G A O

Accountability * Integrity * Reliability

Form SF298 Citation Data

| | | |
|---|---|--|
| Report Date ("DD MON YYYY") 00MAR2001 | Report Type N/A | Dates Covered (from... to) ("DD MON YYYY") |
| Title and Subtitle FINANCIAL AUDIT American Battle Monuments Commissions Financial Statements for Fiscal Years 2000 and 1999 | Contract or Grant Number | |
| | Program Element Number | |
| | Project Number | |
| Authors | Task Number | |
| | Work Unit Number | |
| | Performing Organization Name(s) and Address(es) General Accounting Office, Washington, DC 20013 | |
| Performing Organization Number(s) GAO-01-375 | | |
| Sponsoring/Monitoring Agency Name(s) and Address(es) | Monitoring Agency Acronym | |
| | Monitoring Agency Report Number(s) | |
| Distribution/Availability Statement Approved for public release, distribution unlimited | | |
| Supplementary Notes | | |
| Abstract <p>This report presents the results of the audit of the American Battle Monuments Commissions (ABMC) financial statements for the fiscal years ended September 30, 2000, and 1999. We prepared this report in accordance with 36 U.S.C. 2103. We are sending copies of this report to Senator Ted Stevens, Chairman, and Senator Robert C. Byrd, Ranking Member, Senate Committee on Appropriations and Representative C.W. Bill Young, Chairman, and Representative David R. Obey, Ranking Minority Member, House Committee on Appropriations. We are also sending copies to the Honorable Paul H. O'Neill, Secretary of the Treasury, the Honorable Mitchell E. Daniels, Jr., Director of the Office of Management and Budget, General Frederick F. Woerner, Chairman of ABMC, and other interested parties. Should you or your staffs have any questions concerning this report, please contact me on (202) 512-2600; Jeanette M. Franzel, Acting Director, at (202) 512-9406, or Roger R. Stoltz, Assistant Director, at (202) 512-9408.</p> | | |
| Subject Terms | | |
| Document Classification unclassified | Classification of SF298 unclassified | |

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| Classification of Abstract unclassified | Limitation of Abstract unlimited |
| Number of Pages 45 | |

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Abbreviations

| | |
|-------|---|
| ABMC | American Battle Monuments Commission |
| CFA | Commission of Fine Arts |
| CSRS | Civil Service Retirement System |
| DOD | Department of Defense |
| EFT | electronic funds transfer |
| FERS | Federal Employees' Retirement System |
| FMFIA | Federal Managers' Financial Integrity Act of 1982 |
| FY | fiscal year |
| IT | information technology |
| MRS | Military Retirement System |
| NCPC | National Capital Planning Commission |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| ORB | other retirement benefits |
| PwC | PricewaterhouseCoopers |
| RFP | request for proposal |
| TSP | Thrift Savings Plan |



**United States General Accounting Office
Washington, D.C. 20548**

March 1, 2001

The Honorable Arlen Specter
Chairman
The Honorable John D. Rockefeller, IV
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Christopher H. Smith
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

This report presents the results of the audit of the American Battle Monuments Commission's (ABMC) financial statements for the fiscal years ended September 30, 2000, and 1999. We prepared this report in accordance with 36 U.S.C. 2103.

We are sending copies of this report to Senator Ted Stevens, Chairman, and Senator Robert C. Byrd, Ranking Member, Senate Committee on Appropriations and Representative C.W. Bill Young, Chairman, and Representative David R. Obey, Ranking Minority Member, House Committee on Appropriations. We are also sending copies to the Honorable Paul H. O'Neill, Secretary of the Treasury, the Honorable Mitchell E. Daniels, Jr., Director of the Office of Management and Budget, General Frederick F. Woerner, Chairman of ABMC, and other interested parties.

Should you or your staffs have any questions concerning this report, please contact me on (202) 512-2600; Jeanette M. Franzel, Acting Director, at (202) 512-9406, or Roger R. Stoltz, Assistant Director, at (202) 512-9408.

Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

General Frederick F. Woerner, Chairman
American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (ABMC). In our audits of ABMC for fiscal years 2000 and 1999, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2000, and comparative consolidated totals as of and for the fiscal year ended September 30, 1999, are presented fairly in conformity with U.S. generally accepted accounting principles,
- although internal controls should be improved, ABMC had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2000, and
- no reportable instances of noncompliance with selected provisions of laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and other supplementary information and (2) the objective, scope, and methodology of our audit.

Opinion on Financial Statements

The ABMC consolidating balance sheet as of September 30, 2000, and its related consolidating statements of net cost and changes in net position; budgetary resources; and financing, including accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 1999, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

ABMC maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2000, that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the consolidating financial statements or to stewardship information, would be

prevented or detected on a timely basis. In its letter in appendix I, ABMC management asserted that its internal control is effective based upon criteria established under 31 U.S.C. 3512 [Federal Managers' Financial Integrity Act (FMFIA)] and Office of Management and Budget (OMB) Circular No. A-123, *Management Accountability and Control*.

However, our work identified the need to improve certain internal controls as described below that we consider a reportable condition. Such a condition is a deficiency in the design or operation of internal controls that, in our judgment, could adversely affect ABMC ability to meet internal control objectives. We did not consider these deficiencies to be a material weakness. Such a weakness occurs when the design or operation of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the consolidating financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. However, misstatements may nevertheless occur in other ABMC financial information not included in this report as a result of this reportable condition.

Reportable Condition

During our audit we noted three deficiencies in internal controls over information technology systems as of September 30, 2000, which are discussed below. ABMC plans to correct these deficiencies through the acquisition and implementation of a new accounting system and through efforts to be taken in tandem with the new system. In April 2000, ABMC engaged a contractor to assist in the selection of an automated, integrated accounting system that conforms or can be adopted to regulatory and user requirements. In August 2000, ABMC issued a request for proposal to obtain software and hosting services to replace its legacy accounting systems worldwide. A vendor was selected in December 2000, and implementation of the new system is expected by October 2001.

Inadequate Controls Over Information Technology Systems

consisted of the three following areas.

- **User Documentation:** There was no user documentation to support the Clipper accounting system used by the European Regional Office and the dBase IV accounting system used by the Mediterranean Regional Office. Also, there was no user documentation on the payroll function of the Foxpro accounting system used by the headquarters office that involved 11 civilian employees. Users learned how to use the

systems mainly through on-the-job training and had limited support to explain how functions should be performed and questions answered. However, the age of these systems and their pending replacement do not justify the cost of developing user documentation.

- **Security Program:** The headquarters office of ABMC has not documented an overall security planning and management program for security and privacy of information as of September 30, 2000. OMB Circular A-130, *Management of Federal Information Resources* provides guidance on documenting such a program including control objectives, areas of responsibility, system rules, training, personnel controls, system interconnections, review of controls, and process authorization. This program would encompass the existing automated proprietary security program.
- **Business Continuity Plans:** The European regional office business continuity plans did not contain sufficient detail to ensure successful manual operations and timely recovery of automated processing in the event of a business interruption. As of September 30, 2000, the Pacific regional office was in the process of finalizing its business continuity plans. Sufficient details for all plans would include identification of business operations and applications, personnel contacts, hardware and software needs, space requirements, and alternative sites.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations for fiscal year 2000 disclosed no instances of noncompliance reportable under U.S. generally accepted government auditing standards or OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

Management's Discussion and Analysis and a stewardship statement of heritage assets with an accompanying note contain a wide range of data, some of which are not directly related to the consolidating financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the consolidating financial statements and discussed the methods of measurement and presentation with ABMC officials. Based upon this limited work, we found no material inconsistencies with the consolidating financial statements or nonconformance with OMB guidance.

Objectives, Scope, and Methodology

ABMC management is responsible for (1) preparing the consolidating financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad internal control objectives of FFMFIA are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) ABMC consolidating financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) ABMC management maintained effective internal control that provides reasonable, but not absolute, assurance that the following objectives were met.

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and stewardship information in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with applicable laws and regulations: Transactions are executed in accordance with (1) laws governing the use of budgetary authority, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, or governmentwide policies identified by OMB guidance.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the consolidating financial statements and with laws for which OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, requires testing. We are also responsible for performing limited procedures with respect to certain other information appearing in the ABMC annual financial report.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the consolidating financial statements;

- obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- obtained an understanding of the recording, processing, and summarizing of performance measures as reported in Management's Discussion and Analysis;
- tested relevant internal controls over financial reporting (including safeguarding assets) and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; and
- tested compliance with selected provisions of the following laws and regulations:
 - ABMC enabling legislation codified in 36 U.S.C. Chapter 21,
 - public laws applicable to the World War II Memorial Fund,
 - Departments of VA and HUD and Independent Agencies Appropriations Act 2000,
 - Anti-Deficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to ABMC. We limited our tests of compliance to those required by OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements* and which we deemed applicable to ABMC consolidating financial statements for the fiscal year ended September 30, 2000. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

Agency Comments and Our Evaluation

We discussed the results of our audit with ABMC management which provided comments on a draft of this report and agreed with its contents.



Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

January 26, 2001

Report on Audit of the American Battle Monuments Commission

ABMC Assertion Letter on Internal Controls



Established by Congress 1923

THE AMERICAN BATTLE MONUMENTS COMMISSION

Courthouse Plaza II, Suite 500
2300 Clarendon Boulevard
Arlington, VA 22201

January 26, 2001

The Honorable David M. Walker
Comptroller General of the United States
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

In connection with your examinations of our assertions regarding internal controls over financial reporting of the American Battle Monuments Commission (ABMC) as of September 30, 2000, we make the following representations:

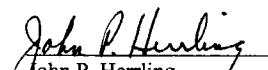
1. We are responsible for establishing and maintaining internal control.
2. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of ABMC internal control in achieving the following objectives:
 - a. Reliability of financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and RSSI in accordance with generally accepted accounting principles. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - b. Compliance with applicable laws and regulations: Transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws and regulations or governmentwide policies identified by OMB in OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.
 - c. Reliability of performance reporting: Transactions and other data that support reported performance measures in Management's Discussion and Analysis are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
3. Those controls in place on September 30, 2000, provide reasonable assurance that the foregoing objectives were met except for three deficiencies in internal controls over

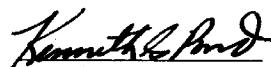
Appendix I
Report on Audit of the American Battle
Monuments Commission

information technology systems as disclosed in the Independent Auditors' Report that we do not consider to be material weaknesses.

4. There have been no changes to internal control subsequent to September 30, 2000, that significantly affect internal controls over financial reporting.

Sincerely,


John P. Herrling
Major General, US Army (Ret.)
Secretary


Kenneth S. Pond
Executive Director


Anthony N. Corea
Director, Operations and Finance

Appendix I
Report on Audit of the American Battle
Monuments Commission

ABMC Annual Financial Report

AMERICAN BATTLE MONUMENTS COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000

Management's Discussion and Analysis

AMERICAN BATTLE MONUMENTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

History and Mission

Prior to 1923, no federal agency was responsible for commemorating the sacrifices and achievements of United States Armed Forces. After World War I, many American military units erected monuments and markers where they had served in Europe. These monuments and markers came in assorted sizes, shapes, and styles. Many bore little relationship to the achievements of the units they represented, were poorly designed and constructed, erected on land not owned by the units, and without provision for future maintenance.

In response to this, Congress in 1923 created the American Battle Monuments Commission (ABMC), an independent agency of the Executive Branch of the Federal Government. Congress gave the ABMC the responsibility of commemorating the sacrifices and achievements of American armed forces where they have served since April 6, 1917, the entry date of the United States into World War I.

From appropriated funds (which are available until expended), ABMC administers, operates, and maintains 24 permanent American Military Cemeteries on foreign soil. ABMC also administers 27 stand-alone memorials, monuments, and markers, five of which are in the United States, and the remaining 22 in 14 foreign countries, the Northern Mariana Islands, and Gibraltar. Presently, 124,914 U.S. War Dead are interred in these cemeteries: 30,921 from World War I, 93,243 from World War II, and 750 from the Mexican War. Also, 5,857 American veterans and others are interred in the Mexico City and Corozal (Panama) National Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,120 U.S. servicemen and women who were missing in action, lost, or buried at sea during the World Wars and the Korean and Vietnam Wars. In addition, 37,278 Korean War dead are honored in the Korean War Veterans Memorial database.

ABMC also administers trust funds from private contributions to: (1) build memorials authorized by Congress; (2) decorate grave sites with flowers; and (3) maintain and repair nonfederal war memorials.

Organizational Structure and Operations

The policymaking body of ABMC is composed of an 11 member Board of Commissioners appointed by the President for an indefinite term, and who serve without pay. The Commissioners establish policy and ensure proper staff functioning in carrying out the mission of the agency. During inspections, they observe, inquire, comment upon, and make recommendations on any and all aspects of Commission operations. ABMC daily operations are directed by a compensated executive level Secretary appointed by the President.

The Commission's headquarters office in Arlington, Virginia, provides oversight for 2 regional offices, 3 cemeteries, and 10 memorials, monuments, and markers. The European Region, headquartered near Paris, France is responsible for 17 cemeteries and 15 memorials, monuments, and markers. The Mediterranean Region, headquartered in Rome, Italy, operates and maintains four cemeteries, one memorial, and one monument.

For fiscal year (FY) 2000, the ABMC was authorized to and did employ 364 full-time civilians. Also, the Department of Defense (DOD) assigned and paid five active duty military officers for which ABMC reimbursed DOD. U.S. citizens constituted 56 staff members while the remaining 308 were foreign service nationals employed in the countries where the ABMC operates.

The care of these shrines to our War Dead requires a formidable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of 130,771 graves and headstones; and 73 memorial structures (within and external to the cemeteries) on 1,648.8 acres of land. Also, ABMC maintains 41 quarters, utilities, and maintenance facilities; 67 miles of roads and walks; 911 acres of flowering plants, fine lawns and meadows; nearly 3 million square feet of shrubs and hedges; and over 11,000 ornamental trees. Care and maintenance of these resources is exceptionally labor intensive. Therefore, personnel costs accounted for 57 percent of the appropriation for FY 2000. The remaining 43 percent was required to fund other operating costs and fluctuations in six foreign currencies.

In 1985, the U.S. government embarked on a long-term program to lower the value of the U.S. dollar in foreign markets in order to make U.S. goods and services more competitive. Through this effort, the dollar's exchange rate decreased significantly in most of the countries where ABMC installations are located. In order to insulate the Commission's annual appropriation against major changes in its purchasing power due to currency exchange fluctuations, legislation was enacted in 1988 establishing an ABMC currency fluctuation account in the U.S. Treasury. During FY 2000, ABMC recognized a net foreign currency exchange gain of about \$2.4 million.

For the last several years, the American Veterans of WW II, Korea, and Vietnam (AMVETS) and the Robert R. McCormick Tribune Foundation have generously donated chromatically tuned bells in carillons to enhance the overseas cemeteries. The AMVETS installed the first carillon in the Manila cemetery in 1985. They subsequently formed a partnership with the foundation, and in July 2000 delivered a carillon to the Aisne Marne cemetery, the tenth they have donated over the years.

Performance Goals and Results

ABMC prepares a five year Strategic Performance Plan and an Annual Performance Plan in accordance with the Government Performance and Results Act. These plans were coordinated with key Congressional staff and the Office of Management and Budget. While there will continue be a number of refinements as plans are implemented, the Commission has developed a creditable "road-map" for the future. The following goals and results are directly related to these plans.

Goal 1

Provide the best, most extensive support possible to next of kin and other customers who use the services of the American Battle Monuments Commission.

Results

On request, ABMC provides information and assistance to relatives and friends of War Dead interred in or commemorated at its facilities. These services include burial and memorial site information, letters authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery, in-country travel and accommodation information, and upon their arrival at the cemetery, escorting family members and relatives to the appropriate grave or memorial site. Requestors are provided with a color photograph that is taken of the appropriate headstone or section of the Tablet of the Missing which is mounted on a color lithograph of the cemetery or memorial where a serviceman or woman is buried or commemorated by name. ABMC also purchases floral decorations with donor funds and the donor is provided with a photograph of the headstone or Tablet of the Missing with the decoration in place.

In addition to responding to inquiries by friends and relatives of the War Dead interred or memorialized at our sites, information is provided to the Executive Branch, members of Congress, other government agencies, historians, and other interested individuals.

During FY 2000, ABMC responded to over 10,000 letter, fax, phone, and e-mail inquiries, requiring over 8,000 written responses. In addition, over 2,900 cemetery lithographs were mailed out.

Some 10 million Americans and foreign citizens visited ABMC cemeteries, memorials, monuments, and markers during FY 2000. Most visitors paid homage collectively to the interred Honored War Dead. Many had a more personal reason for visiting a friend or relative who never returned home. Regardless of the visitor's motivation, ABMC employees dedicate themselves to making each visit gratifying and memorable.

Throughout the year at sites around the world, ABMC hosts a variety of special events as well as commemorations on Memorial Day, Independence Day, and Veterans' Day. In addition, many military units hold ceremonies to honor their fallen comrades and local organizations pay tribute to those who died while liberating the region. Some received national attention and publicity while many drew local attention only. All reflected solemn respect for America's Honored War Dead and appreciation for the sacrifices of all veterans.

The ABMC Internet web site, at abmc.gov provides our customers with a convenient, user friendly, method to access information on the Commission as well as our cemeteries, memorials, monuments, markers, and headquarters operations. In addition, information on the U.S. War Dead from the Korean War and those interred or commemorated at our World War I and II cemeteries overseas are now accessible on the web site at the same address.

Goal 2

Conduct an effective Infrastructure Modernization Program at all ABMC cemeteries, memorials, and monuments in order to modernize our facilities and maintain the desired standards.

Results

During FY 2000, a review of facilities was conducted to determine the most appropriate course of action to begin implementation of an Infrastructure Modernization Program. This initial phase involved assessments of the electrical systems and the structural aspects of facilities in the European and Mediterranean Regions that identified an estimated \$3.1 million in projects. For FY 2001, Congress appropriated \$1.0 million to begin funding this initiative.

Goal 3

Determine if technology, outsourcing, and automation can improve efficiency and/or reduce the costs of foreign labor.

Results

During FY 2000, a study was initiated to review ABMC business practices at our overseas locations. Specifically, the study focused on the use of technology and outsourcing to reduce foreign labor costs. The study was conducted in six locations with favorable results at each location. During FY 2001, the study will be expanded to other locations and the procurement of new equipment and technology to implement the results of these studies will be explored.

Goal 4

Modernize ABMC accounting systems and funding processes to ensure that funding is used and accounted for in the most efficient and effective manner.

Results

Current ABMC accounting systems do not comply with current OMB Circular A-127 requirements to maintain a single, integrated financial management system.

Appendix I
Report on Audit of the American Battle
Monuments Commission

In April 2000, ABMC contracted with PricewaterhouseCoopers (PwC) to assist in the selection of an automated, integrated accounting system that conforms, or can be effectively adapted, to regulatory and user requirements. PwC began the process by documenting ABMC accounting and finance business processes, assessing the Information Technology (IT) architecture at Field Offices and Headquarters, and developing both functional and technical requirements. PwC then identified replacement options for current ABMC systems. ABMC leadership selected as its preferred alternative a vendor, or vendor team, that can supply appropriate IT infrastructure and supporting resources, as well as resources to maintain and upgrade the selected software package.

In August 2000, ABMC issued a Request for Proposal (RFP) to secure software and hosting services to replace its legacy accounting systems. The RFP responses were received on October 10, 2000. During December 2000, the vendors, USinternetworking (USi), Inc. and PeopleSoft were selected as the application services provider and software team. Implementation will begin in calendar year 2001 and the new system is projected to be operable in October 2001.

ABMC has made other significant strides over the last several years to streamline its operating processes and procedures. Currently, approximately 90% of ABMC employees are paid through electronic funds transfer (EFT). The headquarters office paid approximately 68% of its vendor purchases through EFT in FY 2000.

Goal 5

Establish a National World War II Memorial in Washington, DC, to honor those who served in the Armed Forces of the United States during World War II and commemorate the participation of the nation in that war.

Results

In 1993, Congress directed ABMC to establish a World War II Memorial in Washington, D.C., or its environs. It will be the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 who gave their lives, and the millions who supported the war effort from the home front. Congress provided legislative authority for locating the memorial in the prime area of the capital, which includes the National Mall. The total estimated cost of the memorial project is \$140 million, which includes site selection and design, construction, a National Park Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund raising, and administration of the project from its inception in 1993 through completion.

The Commission of Fine Arts (CFA), the National Capital Planning Commission (NCPC) and the Department of Interior approved selection of the Rainbow Pool site, a 7.4-acre area at the east end of the Reflecting Pool between the Lincoln Memorial and the Washington Monument. This prominent location is commensurate with the historical importance and lasting significance of World War II to America and the world. The memorial site was dedicated by President Clinton on Veterans' Day, November 11, 1995.

Appendix I
Report on Audit of the American Battle
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Friedrich St. Florian, an architect based in Providence, Rhode Island, was selected to design the memorial through a two-stage, open competition through the General Services Administration's Design Excellence Program. President Clinton announced St. Florian's selection during a White House ceremony on January 17, 1997.

The CFA and NCPC subsequently approved St. Florian's memorial design concept in 1998, his preliminary design in 1999, and his final architectural design in 2000, clearing the way for the ceremonial groundbreaking that occurred on Veterans' Day, November 11, 2000. The memorial site and design have been the subject of 19 public hearings from 1995 through the end of FY 2000. Additional hearings on memorial ancillary elements (comfort station, information pavilion, contemplative area, and access road), sculpture and inscriptions are projected for FY 2001.

The public fund raising began in earnest in March 1997 when the ABMC announced that former Senator Bob Dole would serve as the National Chairman of the World War II Memorial Campaign. He was joined in this endeavor by National Co-Chairman Frederick W. Smith, founder and CEO of FedEx Corporation. The fund-raising efforts were very positive during FY 2000, building on the groundwork and success of previous fiscal years. The campaign received \$66.8 million in cash and pledges during the fiscal year, bringing the total funds received from all sources, including the federal government, to \$146.4 million.

Support of the campaign came from hundreds of thousands of individual Americans; corporations; foundations; veterans' groups; civic, fraternal, and professional organizations; states; and students in schools across the country. The campaign continued to benefit from a series of public service advertisements featuring academy award winner Tom Hanks. Students in grades 5 through 12 across the country benefited from a WWII education program developed in partnership with The History Channel.

Recently, Congress approved several legislative items that supported the memorial fund-raising efforts. Public Law 106-117, signed November 30, 1999, authorized ABMC up to \$65 million in borrowing authority to assure timely construction of the memorial. This legislation also extended the authorization for initiation of the memorial construction to December 31, 2005 and granted ABMC permanent authority to solicit and receive funds and preserve any such funds in ABMC controlled interest-bearing Treasury accounts, including any funds remaining after completion of the memorial. It also increased ABMC authority to accept volunteer services and to use intellectual property interests. In addition, Public Law 106-398, signed October 30, 2000, designated \$6 million of the proceeds expected from the sale of titanium from the National Defense Stockpile for completion of the design, groundbreaking, construction, maintenance, and dedication of the Memorial.

The synergy of all these initiatives created a fund-raising campaign that has been an unqualified ABMC success story.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Financial Statements

ABMC is required by 36 U.S.C. 2103, as codified by Public Law 105-225 on August 12, 1998, to prepare agency wide financial statements annually, beginning with FY 1997. Additionally, such financial statements are to be audited annually by the U.S. General Accounting Office (GAO) in accordance with generally accepted government auditing standards.

The consolidating financial statements have been prepared from the books and records of ABMC in accordance with U.S. generally accepted accounting principles used by the federal government. However, these statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. Also, the financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Audits of ABMC for FY 1997 and FY 1998 were performed by the public accounting firm of KPMG under contract to GAO. Audits of ABMC for FY 1999 and FY 2000 were conducted by GAO. Also, separate audits of the World War II Fund for FY 1999 and FY 2000 were conducted by the public accounting firm of KPMG. A copy of the separate KPMG reports are available upon request.

Systems, Controls, and Legal Compliance

ABMC is in the process of modernizing its accounting system as discussed in goal 4 to include controls in place over electronic data processing to prevent unauthorized access and computer viruses. As indicated in its assertion letter on internal controls, ABMC management has assessed the effectiveness of internal controls in the reliability of financial reporting, compliance with applicable laws and regulations, and reliability of performance reporting.

Future Effects on ABMC

ABMC continues to maintain the final resting places of American War Dead on foreign soil and to assist next of kin and others who use our services. Despite aging facilities, ABMC strives to maintain high standards of physical appearances and operational efficiency to honor those who have died in the service of our country. The future construction of the World War II Memorial in Washington, D.C., will commemorate those who served and died in that conflict, as well as those who served on the home front.

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American Battle Monuments Commission
Note to Statement of Heritage Assets
(Unaudited)

Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been. ABMC has deferred maintenance at many of its properties. Condition inspections of real property utilizing the condition assessment survey methodology are conducted at least biennially. As a result of these inspections, ABMC estimates the cost to perform maintenance identified as necessary, but unperformed, during the current accounting period.

Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$5.6 million in FY 2000, \$6.1 million in FY 1999, and \$5.9 million in FY 1998, most of which was applied to deferred maintenance projects. Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. Using these condition assessment surveys, 272 engineering maintenance projects with an estimated cost of \$4.7 million were identified as of September 30, 2000, to be performed in future years as necessary to maintain real property in an acceptable condition. However, the actual cost of deferred maintenance projects is dependent upon future events but is not expected to exceed \$7 million.

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Consolidating Balance Sheet

| AMERICAN BATTLE MONUMENTS COMMISSION CONSOLIDATING BALANCE SHEET As of September 30, 2000 (With Comparative Consolidated Total as of September 30, 1999) | | | | | |
|---|---|--|--|-----------------------------------|-----------------------------------|
| | <u>General Fund</u> | <u>Trust Funds</u> | | <u>Total Funds</u> <u>2000</u> | <u>Total Funds</u> <u>1999</u> |
| | <u>Cemeteries</u> <u>and</u> <u>Memorials</u> | <u>World</u> <u>War II</u> <u>Memorial</u> | <u>Other</u> <u>Trust</u> <u>Funds</u> | <u>Total</u> | <u>Total</u> |
| Assets | | | | | |
| Intragovernmental: | | | | | |
| Fund balances with Treasury (note 2) | \$14,961,665 | \$4,354,802 | \$177,197 | \$19,493,664 | \$11,413,020 |
| Treasury investments, net (note 3) | 71,211,389 | 26,939 | | 71,238,328 | 23,854,435 |
| Interest receivable | 1,124,862 | 371 | | 1,125,233 | 292,536 |
| Total intragovernmental | <u>14,961,665</u> | <u>76,691,053</u> | <u>204,507</u> | <u>91,857,225</u> | <u>35,559,991</u> |
| Cash and foreign accounts (note 4) | 1,958,913 | | | 1,958,913 | 1,389,381 |
| Contributions receivable, net (note 5) | | 26,833,984 | | 26,833,984 | 22,857,115 |
| General property, plant, & equipment, net (note 6) | 324,423 | 68,352 | | 392,775 | 508,651 |
| Total Assets | <u>\$17,245,001</u> | <u>\$103,593,389</u> | <u>\$204,507</u> | <u>\$121,042,897</u> | <u>\$60,315,138</u> |
| Liabilities | | | | | |
| Liabilities covered by budgetary resources: | | | | | |
| Intragovernmental: | | | | | |
| Accounts payable | \$608,796 | \$565,154 | | \$1,173,950 | \$108,706 |
| Accrued salaries and benefits | 169,503 | | | 169,503 | 429,335 |
| Total intragovernmental | <u>778,299</u> | <u>565,154</u> | | <u>1,343,453</u> | <u>538,041</u> |
| Accounts payable | 850,412 | 1,444,846 | \$337 | 2,295,795 | 1,799,760 |
| Accrued salaries and benefits | 1,294,610 | 42,413 | | 1,337,023 | 1,153,605 |
| Other liabilities | 99,642 | | | 99,642 | |
| Liabilities not covered by budgetary resources: | | | | | |
| Unfunded annual leave | 697,784 | 83,591 | | 781,375 | 756,991 |
| Separation pay liability (note 8) | 762,395 | | | 762,395 | 800,816 |
| Total Liabilities | <u>4,483,142</u> | <u>2,136,004</u> | <u>\$37</u> | <u>6,619,683</u> | <u>5,049,213</u> |
| Commitments and contingencies (notes 7, 11) | | | | | |
| Net Position (notes 9, 10) | | | | | |
| Unexpended appropriations | 13,870,281 | | | 13,870,281 | 9,756,635 |
| Cumulative results of operations | (1,108,422) | 101,457,385 | 203,970 | 100,552,933 | 45,509,290 |
| Total Net Position | <u>12,761,859</u> | <u>101,457,385</u> | <u>203,970</u> | <u>114,423,214</u> | <u>55,265,925</u> |
| Total Liabilities and Net Position | <u>\$17,245,001</u> | <u>\$103,593,389</u> | <u>\$204,507</u> | <u>\$121,042,897</u> | <u>\$60,315,138</u> |

The accompanying notes are an integral part of these statements.

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Consolidating Statement of Net Cost and Changes in Net Position

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF NET COST AND CHANGES IN NET POSITION
For the Year Ended September 30, 2000
(With Comparative Consolidated Total For the Year Ended September 30, 1999)

| | <u>General Fund</u> | <u>Trust Funds</u> | | <u>Total Funds</u> | <u>Total Funds</u> |
|--|---------------------|---------------------------------|------------------------------|----------------------|---------------------|
| | | <u>Cemeteries and Memorials</u> | <u>World War II Memorial</u> | <u>2000</u> | <u>1999</u> |
| <u>Costs</u> | | | | | |
| Program operations: | | | | | |
| Operations and maintenance | \$25,944,196 | | \$100,805 | \$26,045,001 | \$24,649,152 |
| Fund raising | | \$6,695,212 | | 6,695,212 | 7,512,008 |
| Administrative | | 1,416,191 | | 1,416,191 | 1,792,285 |
| Educational support | | 201,252 | | 201,252 | 160,197 |
| Design and construction | | 4,945,316 | | 4,945,316 | 2,577,867 |
| Memorial costs (note 6) | | 806,334 | | 806,334 | 667,913 |
| Property, plant and equipment (note 6) | 1,229,328 | 34,146 | | 1,263,474 | 802,003 |
| Foreign currency (gains), losses, net | (2,383,297) | | | (2,383,297) | (357,067) |
| Nct Cost of Operations | 24,790,227 | 14,098,451 | 100,805 | 38,989,483 | 37,804,358 |
| <u>Financing Sources</u> | | | | | |
| Expended appropriations | 26,621,902 | | | 26,621,902 | 25,011,268 |
| Foreign currency stabilization (gain) | (2,383,297) | | | (2,383,297) | (357,067) |
| Contributions | | 66,842,498 | 141,468 | 66,983,966 | 41,475,279 |
| Investment earnings | | 2,344,893 | 439 | 2,345,332 | 621,294 |
| Imputed financing (note 8) | 465,223 | | | 465,223 | 360,001 |
| Total financing sources | 24,703,828 | 69,187,391 | 141,907 | 94,033,126 | 67,110,775 |
| Net Results of Operations | (86,399) | 55,088,940 | 41,102 | 55,043,643 | 29,306,417 |
| <u>Changes in Net Position</u> | | | | | |
| Increase in unexpended appropriations | 4,113,646 | | | 4,113,646 | 1,736,858 |
| Net Position - start of the year | 8,734,612 | 46,368,445 | 162,868 | 55,265,925 | 25,426,811 |
| Prior period adjustment | | | | | (1,204,161) |
| Net Position - end of the year | <u>\$12,761,859</u> | <u>\$101,457,385</u> | <u>\$203,970</u> | <u>\$114,423,214</u> | <u>\$55,265,925</u> |

The accompanying notes are an integral part of these statements.

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Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2000
(With Comparative Consolidated Total For the Year Ended September 30, 1999)

| | <u>General Fund</u> | <u>Trust Funds</u> | | <u>Total Funds</u> | <u>Total Funds</u> |
|--|--------------------------------|-----------------------------|-------------------------|----------------------|---------------------|
| | Cemeteries and Memorials | World War II Memorial | Other Trust Funds | 2000 | 1999 |
| <u>Budgetary Resources</u> | | | | | |
| Budgetary authority - gross | \$28,467,000 | | | \$28,467,000 | \$26,431,000 |
| Budgetary authority - rescinded | (108,175) | | | (108,175) | (42,000) |
| Unobligated balances, start of year | 4,684,714 | \$21,032,529 | \$129,098 | 25,846,341 | 11,614,200 |
| Borrowing authority | | 65,000,000 | | 65,000,000 | |
| Spending authority from offsetting collections | | 63,842,206 | 141,474 | 63,983,680 | 27,829,092 |
| Total Budgetary Resources | <u>\$33,043,539</u> | <u>\$149,874,735</u> | <u>\$270,572</u> | <u>\$183,188,846</u> | <u>\$65,832,292</u> |
| <u>Status of Budgetary Resources</u> | | | | | |
| Obligations incurred | \$25,686,844 | \$13,779,518 | \$118,689 | \$39,585,051 | \$39,985,951 |
| Unobligated balances, end of year | <u>7,356,695</u> | <u>136,095,217</u> | <u>151,883</u> | <u>143,603,795</u> | <u>25,846,341</u> |
| Total Status of Budgetary Resources | <u>\$33,043,539</u> | <u>\$149,874,735</u> | <u>\$270,572</u> | <u>\$183,188,846</u> | <u>\$65,832,292</u> |
| <u>Outlays</u> | | | | | |
| Obligations incurred | \$25,686,844 | \$13,779,518 | \$118,689 | \$39,585,051 | \$39,985,951 |
| Plus: obligated balances, start of year | 7,512,323 | 3,159,940 | 33,799 | 10,706,062 | 8,826,661 |
| Less: obligated balances, end of year | (9,436,834) | (4,224,694) | (52,191) | (13,713,719) | (10,706,062) |
| Total Outlays | <u>\$23,762,333</u> | <u>\$12,714,764</u> | <u>\$100,297</u> | <u>\$36,577,394</u> | <u>\$38,106,550</u> |

The accompanying notes are an integral part of these statements.

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Consolidating Statement of Financing

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2000
(With Comparative Consolidated Total For the Year Ended September 30, 1999)

| | <u>General Fund</u> | | <u>Trust Funds</u> | | <u>Total Funds</u> | <u>Total Funds</u> |
|---|---------------------------------|------------------------------|--------------------------|--------------|--------------------|--------------------|
| | <u>Cemeteries and Memorials</u> | <u>World War II Memorial</u> | <u>Other Trust Funds</u> | <u>Total</u> | <u>2000</u> | <u>1999</u> |
| | | | <u>Total</u> | <u>Total</u> | | |
| <u>Obligations and Nonbudgetary Resources</u> | | | | | | |
| Obligations incurred | \$25,686,844 | \$13,779,518 | \$118,689 | \$39,585,051 | \$39,985,951 | |
| Imputed retirement and audit services | 465,223 | | | 465,223 | 360,001 | |
| Total Obligations and Nonbudgetary Resources | 26,152,067 | 13,779,518 | 118,689 | 40,050,274 | 40,345,952 | |
| <u>Resources That Do Not Fund Net Cost of Operations</u> | | | | | | |
| Cost capitalized on the balance sheet | (38,179) | | | (38,179) | (166,706) | |
| Decrease in separation pay liability | (38,421) | | | (38,421) | (138,336) | |
| Undelivered orders - start of year | 5,071,922 | 2,112,634 | 33,770 | 7,218,326 | 4,631,454 | |
| Less: Undelivered orders - end of year | (6,513,586) | (2,172,281) | (51,654) | (8,737,521) | (7,218,326) | |
| Total Resources That Do Not Fund Net Cost of Operations | (1,518,264) | (59,647) | (17,884) | (1,595,795) | (2,891,914) | |
| <u>Costs That Do Not Require Resources</u> | | | | | | |
| Depreciation | 132,250 | 21,803 | | 154,053 | 151,339 | |
| In-kind expenses | | 356,567 | | 356,567 | 170,710 | |
| Total Costs That Do Not Require Resources | 132,250 | 378,370 | | 510,620 | 322,049 | |
| <u>Financing Sources Yet to be Provided</u> | | | | | | |
| Increase in unfunded annual leave | 24,174 | 210 | | 24,384 | 28,271 | |
| Net Cost of Operations | \$24,790,227 | \$14,098,451 | \$100,805 | \$38,989,483 | \$37,804,358 | |

The accompanying notes are an integral part of these statements.

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Notes to the Consolidating Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2000 and 1999

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying consolidating financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the American Battle Monuments Commission (ABMC) in accordance with generally accepted accounting principles as used by the federal government. There are no intra-entity transactions to be eliminated.

B. Reporting Entity and Funding Sources

ABMC is an independent agency within the executive branch of the federal government. ABMC was created by an act of March 4, 1923, the current provisions of which are now codified in 36 U.S.C. chapter 21 by Public Law 105-225, August 12, 1998. The mission of ABMC is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, and at locations within the United States when directed by the Congress. ABMC designs, administers, constructs, operates, and maintains 24 American military cemeteries and 27 memorials, monuments, and markers (herein collectively referred to as memorials). All of the cemeteries are located on foreign soil. Five memorials are located in the United States, and the remainder in fourteen foreign countries, the Marianas, and Gibraltar. ABMC is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and in Rome, Italy; Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

ABMC is also responsible for designing and constructing the national World War II Memorial to be located on the Mall in Washington, D.C. In accordance with the Public Works Act, the World War II Memorial will ultimately be transferred to the U.S. Park Service along with funds for its perpetual maintenance.

ABMC programs are funded primarily through permanent and indefinite appropriated funds. ABMC also administers several trust funds established to (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings, (2) decorate grave sites, and (3) maintain and repair certain nonfederal war memorials.

C. Basis of Accounting

ABMC proprietary (assets, liabilities, equity, revenue, and expenses) accounts are maintained on the accrual basis, where appropriated funds are accounted for by appropriation year, operating expenses are recorded as incurred, and depreciation is taken on property, plant, and equipment not otherwise classified as heritage assets. ABMC budgetary accounts are maintained on a budgetary basis, which facilitates compliance with legal constraints and statutory funds control requirements. The functional budget classification is Veterans' Benefits and Services.

D. Fund Balances with Treasury

ABMC cash receipts and disbursements are processed by the U.S. Treasury. Fund balances with Treasury comprise appropriated general funds and trust funds.

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E. Investments

In accordance with Public Law 103-32, ABMC is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. ABMC is authorized under a modification to its original legislation to invest receipts from certain nonfederal war memorial organizations in U.S. Treasury securities. These Treasury investments are recorded at par value plus unamortized premium or less unamortized discount. Premiums and discounts are amortized using the interest method.

F. Foreign Currency

ABMC operating offices maintain accounts of foreign currencies to be used in making payments in foreign countries. These accounts are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

G. Contributions and Revenue Recognition

Unrestricted contributions or unconditional promises to give to ABMC are recognized as revenue in the period of initial pledge when sufficient verifiable evidence of pledges exists. Conditional promises to give are recorded as revenue when the condition has been met. Unconditional promises to give may be temporarily restricted or permanently restricted. Temporarily restricted promises to give are released from restriction when the conditions have been met. Permanently restricted promises to give are recorded as revenue in the period donated; however, donors generally allow only the earned income to be used for general or specific purposes. In-kind contributions of goods and services are recognized at fair value by ABMC at the time the goods are received or the services are performed. Multiyear contributions due over a period of time are discounted to their present value based upon the short-term Treasury interest rate.

H. Operating Materials and Supplies Inventories

ABMC has determined that it is more cost-beneficial to record operating materials and supplies as an expense when purchased rather than when consumed. Consequently, ABMC reports no operating materials or supplies inventories.

I. Property, Plant, and Equipment

Purchases of general property, plant, and equipment (PP&E) of \$25,000 or less are expensed in the year of acquisition. Purchases of personal property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 5 years. Expenditures relating to real property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 30 years. Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. ABMC considers cemeteries, memorials, monuments, and markers acquired through purchase or transfer to be heritage assets. Heritage assets are acquired through purchase or transfer and are accounted for in ABMC property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded upon formal agreement with recipients. Additional unaudited information concerning heritage assets is found in the Statement of Heritage Assets as required supplementary stewardship information. Cemetery land is owned by the foreign countries in which cemeteries are located and is provided to the United States in perpetuity.

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J. Employee Benefits

Most ABMC civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. ABMC civilian U.S. nationals hired on or before December 31, 1983 could elect to transfer to FERS, or remain with the Civil Service Retirement System (CSRS). For FERS employees, ABMC withholds 1.20 percent of base pay, and as employer contributes 10.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act tax and Medicare, ABMC withholds 7.65 percent from FERS employees' earnings, matches this amount on a dollar-for-dollar basis, and remits the total amount to the Social Security Administration. ABMC withholds 7.40 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings, and as employer contributes 8.51 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the Office of Personnel Management (OPM) and the Social Security Administration. OPM is responsible for government-wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987, the Federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. ABMC contributes a minimum of 1 percent of FERS employees' base pay to TSP. FERS employees have the option of contributing up to 10 percent of their base pay on a tax deferred basis to TSP, which ABMC matches up to 4 percent of base pay. CSRS employees may contribute up to 5 percent of their base pay to TSP on a tax deferred basis, but receive no matching contribution from ABMC.

Retirement and other benefits for military personnel assigned to ABMC are provided by the Military Retirement System (MRS). The military services bill ABMC quarterly for reimbursement of assignees' pay and benefits, including MRS related amounts. The Department of Defense is responsible for reporting MRS assets, accumulated plan benefits, and unfunded liabilities.

Retirement and other benefits for ABMC foreign national employees are paid in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

Annual leave is accrued as earned, and the resulting unfunded liability is reduced as leave is taken. Separation pay is provided in certain countries according to host nation agreements. Separation pay is accrued as earned, and the resulting unfunded liability is reduced when paid to the foreign national leaving the employ of ABMC. Each year, the balance in the accrued separation pay and annual leave accounts is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave and separation pay, funding will be obtained from future financing resources. Sick leave and other types of unvested leave are expensed when incurred.

K. Imputed Financing

ABMC has received imputed financing for retirement and other benefits paid by OPM and financial audits paid by the General Accounting Office (GAO) during FY 2000 and FY 1999. ABMC has recognized these expenses and related imputed financing in the financial statements.

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L. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities as of the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from those estimates.

M. Borrowing Authority

On November 30, 1999, Public Law 106-117 created special borrowing authority to ensure that groundbreaking, construction, and dedication of the National World War II memorial is promptly completed, but no later than December 31, 2005. ABMC may borrow up to \$65 million at Treasury interest rates not to exceed 20 years for repayment. ABMC has not obligated any of these funds.

N. Comparative Data

Comparative data is presented for FY 2000 and FY 1999. Certain reclassifications of FY 1999 amounts were made for comparability with the FY 2000 presentation.

Note 2. Fund Balances with Treasury

All undisbursed account balances with the U.S. Treasury, as reflected in ABMC records, as of September 30 were:

| | 2000 | | | 1999 |
|--------------------------|---------------------|--------------------|---------------------|---------------------|
| | General Fund | Trust Funds | Total | Total |
| General Fund Balance | \$ 7,893,655 | | \$ 7,893,655 | \$6,328,051 |
| Monument Fund - | | | | |
| Washington Office | | \$16,709 | 16,709 | 16,580 |
| Monument Fund - | | | | |
| European Offices | | 49,763 | 49,763 | 53,227 |
| Floral Decorations Fund | | 73,926 | 73,926 | 62,545 |
| Korean War Memorial Fund | | 32,684 | 32,684 | 30,545 |
| Vietnam Memorial Plaque | | 4,115 | 4,115 | - |
| WW II Memorial Fund | | 4,354,802 | 4,354,802 | 404,891 |
| Currency Fluctuation | <u>7,068,010</u> | | <u>7,068,010</u> | <u>4,517,181</u> |
| | <u>\$14,961,665</u> | <u>\$4,531,999</u> | <u>\$19,493,664</u> | <u>\$11,413,020</u> |

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Note 3. Treasury Investments, Net

As of September 30, ABMC investments in U.S. Treasury Notes, which are marketable securities due within 1 year, were:

| <u>FY</u> | <u>Cost</u> | <u>Amortization Method</u> | <u>Interest Rates</u> | <u>Net Premium/ (Discount)</u> | <u>Net Investment</u> |
|-----------|---------------------|----------------------------|-----------------------|--------------------------------|-----------------------|
| 00 | <u>\$71,427,000</u> | Interest | <u>4.00% to 6.50%</u> | <u>(\$188,672)</u> | <u>\$71,238,328</u> |
| 99 | <u>\$23,800,000</u> | Interest | <u>4.75% to 7.75%</u> | <u>\$54,435</u> | <u>\$23,854,435</u> |

Amortized cost approximated market as of September 30 for these investments.

Note 4. Cash and Foreign Accounts

Outside the United States, ABMC makes payments in U.S. and foreign currencies through imprest cash funds and Treasury designated depository commercial bank accounts which as of September 30 were:

| | <u>2000</u> | <u>1999</u> |
|-----------------------|--------------------|--------------------|
| Imprest Cash Funds | \$27,334 | \$33,908 |
| Foreign Bank Accounts | <u>1,931,579</u> | <u>1,355,473</u> |
| | <u>\$1,958,913</u> | <u>\$1,389,381</u> |

Note 5. Contributions Receivable

ABMC has pledges from the private sector to be used for the World War II Memorial with substantial pledges by major corporations and foundations. These pledges were recorded as contribution receivables and revenue in the fiscal year pledged. Amounts due in future years were as follows:

| <u>Fiscal Year Due</u> | |
|------------------------|---------------------|
| 2001 | \$18,190,960 |
| 2002 | 5,455,583 |
| 2003 | 2,490,000 |
| 2004 | 711,000 |
| 2005 | 315,000 |
| After 5 years | <u>487,087</u> |
| Total amount due | <u>27,649,630</u> |
| Less: Discount at 6% | <u>(815,646)</u> |
| Net Receivable | <u>\$26,833,984</u> |

ABMC believes that all contributions receivable are fully collectible, and therefore, no allowance for uncollectible accounts has been established.

As of September 30, 2000, \$1.5 million of conditional promises to give to the Memorial were outstanding, including a pledge for in-kind services with a balance of \$400,000 that was not included in contributions receivable.

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Note 6. General Property, Plant, and Equipment, and Heritage Assets

General property, plant, and equipment with an aggregate cost basis of \$25,000 or less and all heritage assets were expensed by ABMC and totaled \$1,263,474 in FY 2000 and \$802,003 in FY 1999. Memorial costs totaling \$806,334 in FY 2000 and \$667,913 in FY 1999 were also expensed.

Since the 1960s, ABMC's European regional office near Paris, France has occupied a residential structure owned by the United States government. The ABMC is responsible for all utilities, maintenance, and repairs. While the structure has the characteristics of a heritage asset, it has been used as general property. However, it is now fully depreciated and no value is contained in the financial statements.

General property, plant, and equipment as of September 30 was:

| <u>Category</u> | 2000 | | | 1999 | | |
|-----------------|--------------------|---------------------------------|------------------|--------------------|---------------------------------|------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> |
| Buildings | \$70,513 | \$44,592 | \$25,921 | \$70,513 | \$42,243 | \$28,270 |
| Equipment | <u>1,069,218</u> | <u>702,363</u> | <u>366,855</u> | <u>1,031,039</u> | <u>550,658</u> | <u>480,381</u> |
| | <u>\$1,139,731</u> | <u>\$746,955</u> | <u>\$392,776</u> | <u>\$1,101,552</u> | <u>\$592,901</u> | <u>\$508,651</u> |

There was no change in the number of physical units or acreage of cemeteries or memorial heritage assets in FY 2000 and FY 1999.

Note 7. Lease Agreements

ABMC has no capital leases. Operating lease costs (rent) for ABMC's Arlington, VA headquarters was \$494,235 in FY 2000 and \$555,865 in FY 1999 under a 9-year lease. The European Director's living quarters are rented under a yearly agreement. ABMC's Mediterranean office occupies commercial office space under a 6-year renewable operating lease. The Mediterranean Director's living quarters are rented under a 6-year operating lease, with a 2-year renewal option.

Future minimum payments due on operating leases as of September 30, 2000 were:

| <u>Fiscal Year</u> |
|--------------------|
| 2001 |
| 2002 |
| 2003 |
| 2004 |
| 2005 |
| After 5 years |
| <u>576,650</u> |
| <u>\$2,240,159</u> |

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Note 8. Employee Benefits

Under host nation agreements, ABMC's Mediterranean Region Italian and Tunisian employees earn separation pay for each year of service with the Commission. ABMC recognized an unfunded liability for separation pay for these employees of \$762,395 as of September 30, 2000, and \$800,816 as of September 30, 1999.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by OPM. These costs are computed in accordance with cost factors provided by OPM. For FY 2000, ABMC incurred \$708,428 of pension and ORB costs, \$212,486 of which were imputed. For FY 1999, ABMC incurred \$665,465 of pension and ORB costs, \$212,932 of which were imputed.

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Note 9. Net Position

Net position balances as of September 30, 2000 were:

| | <u>General Fund</u> | <u>Trust Funds</u> | <u>Total</u> |
|--|----------------------------|-----------------------------|-----------------------------|
| | WWII | Other | |
| Unexpended Appropriations: | | | |
| Unobligated | \$7,356,695 | | \$7,356,695 |
| Undelivered Orders | <u>6,513,586</u> | — | 6,513,586 |
| | <u>\$13,870,281</u> | — | <u>\$13,870,281</u> |
| Cumulative Results of Operations: | | | |
| Unrestricted | (\$1,108,422) | \$72,451,120 | \$152,406 |
| Undelivered Orders | 2,172,281 | 51,564 | 2,223,845 |
| Temporarily Restricted | 26,833,984 | | 26,833,984 |
| Permanently Restricted | — | \$203,970 | \$203,970 |
| | <u>(\$1,108,422)</u> | <u>\$101,457,385</u> | <u>\$100,552,933</u> |
| Total Net Position | <u>\$12,761,859</u> | <u>\$101,457,385</u> | <u>\$203,970</u> |
| | | | <u>\$114,423,214</u> |

Net position balances as of September 30, 1999 were:

| | <u>General Fund</u> | <u>Trust Funds</u> | <u>Total</u> |
|--|---------------------------|----------------------------|----------------------------|
| | WWII | Other | |
| Unexpended Appropriations: | | | |
| Unobligated | \$4,684,713 | | \$4,684,713 |
| Undelivered Orders | <u>5,071,922</u> | — | 5,071,922 |
| | <u>\$9,756,635</u> | — | <u>\$9,756,635</u> |
| Cumulative Results of Operations: | | | |
| Unrestricted | (\$1,022,023) | \$21,743,364 | \$129,098 |
| Undelivered Orders | 2,112,634 | 33,770 | 2,146,404 |
| Temporarily Restricted | 22,512,446 | | 22,512,446 |
| Permanently Restricted | — | \$162,868 | \$162,868 |
| | <u>(\$1,022,023)</u> | <u>\$46,368,445</u> | <u>\$45,509,290</u> |
| Total Net Position | <u>\$8,734,612</u> | <u>\$46,368,445</u> | <u>\$162,868</u> |
| | | | <u>\$55,265,925</u> |

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Note 10. Trust Fund – World War II Memorial Fund Program

Financial progress since the inception of the Fund in FY 1993 through FY 2000 is reflected as follows:

| Costs | FY00 | Total FY93-00* |
|-------------------------------|------------------|-------------------|
| Fundraising | \$6,695,212 | \$27,490,312 |
| Administration | 1,416,191 | 4,852,092 |
| Memorial project costs | 806,334 | 1,474,874 |
| Property, plant and equipment | 34,146 | 239,047 |
| Education | <u>201,252</u> | <u>361,449</u> |
| Subtotal | 9,153,135 | 34,417,774 |
| Design and construction | <u>4,945,316</u> | <u>10,498,607</u> |
| Net Cost of Operations | 14,098,451 | 44,916,381 |

Financing Sources

| | | |
|---------------------------|---------------------|----------------------|
| Coin surcharge proceeds | - | 4,797,329 |
| Department of Defense | - | 5,000,000 |
| General support | <u>66,842,498</u> | <u>131,984,174</u> |
| Contributions | 66,842,498 | 141,781,503 |
| Investment earnings | <u>2,344,893</u> | <u>4,592,263</u> |
| Total Financing Sources | <u>69,187,391</u> | <u>146,373,766</u> |
| Net Results of Operations | <u>\$55,088,940</u> | <u>\$101,457,385</u> |

*The amounts for fiscal years 1993 through 1999 were audited by the U.S. General Accounting Office and presented in its reports GAO/AIMD-95-9 for FY 1993; GAO/AIMD-96-24 for FY 1994; GAO/AIMD-97-68R for FY 1995 and FY 1996; GAO/AIMD-98-129R for FY 1997; GAO/AIMD-99-74 for FY 1998; and GAO/AIMD-00-85 for FY 1999.

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Note 11. Subsequent Events

On November 11, 2000, a ceremonial groundbreaking took place at the WWII memorial's site on the National Mall in Washington D.C. Attending the ceremony were President Clinton, former Senator and National Chairman of the WWII campaign Bob Dole, actor Tom Hanks, members of Congress and the Cabinet, and an estimated 15,000 WWII veterans, family members, memorial supporters, and other dignitaries.

On October 2, 2000, a lawsuit was filed in Federal court to block construction of the approved design for the National WWII Memorial. The lawsuit alleges procedural violations and seeks reconsideration of the site and design. Although no liability is expected as a result of this action, construction may be delayed until the lawsuit is resolved.

On October 30, 2000, Public Law 106-398 designated about \$6 million of the proceeds from titanium sales by the National Defense Stockpile for the WWII Memorial Fund.

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Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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Statement of Heritage Assets

American Battle Monuments Commission
 Statement of Heritage Assets
 (Unaudited)

24 Cemeteries

| <u>Name</u> | <u>Location</u> | <u>Interred</u> | <u>Memorialized</u> | <u>Acres</u> | <u>War</u> | <u>Deferred Maintenance</u> |
|------------------------------------|-------------------------------|-----------------|---------------------|--------------|------------|-----------------------------|
| <u>European Region</u> | | | | | | |
| Aisne Marne American Cemetery | Belieau, (Aisne), France | 2,289 | 1,060 | 42.5 | WW I | \$129,420 |
| Ardennes American Cemetery | Neupre, Belgium | 5,328 | 462 | 90.5 | WW II | 174,900 |
| Brittany American Cemetery | St. James, (Manche), France | 4,410 | 498 | 7.5 | WW II | 113,000 |
| Brookwood American Cemetery | Brookwood, England | 468 | 563 | 4.5 | WW I | 21,500 |
| Cambridge American Cemetery | Cambridge, England | 3,812 | 5,126 | 30.5 | WW II | 76,500 |
| Epinal American Cemetery | Epinal, (Vosges), France | 5,255 | 424 | 48.6 | WW II | 105,000 |
| Flanders Field American Cemetery | Waregem, Belgium | 368 | 43 | 6.2 | WW I | 12,500 |
| Henri-Chapelle American Cemetery | Henri-Chapelle, Belgium | 7,989 | 450 | 57.0 | WW II | 77,000 |
| Lorraine American Cemetery | St. Avoild, (Moselle), France | 10,489 | 444 | 113.5 | WW II | 123,600 |
| Luxembourg American Cemetery | Luxembourg | 5,076 | 371 | 48.7 | WW II | 186,000 |
| Meuse-Argonne American Cemetery | Romagne, (Meuse), France | 14,246 | 954 | 130.5 | WW I | 247,500 |
| Netherlands American Cemetery | Margraten, Holland | 8,302 | 1,723 | 65.5 | WW II | 29,600 |
| Normandy American Cemetery | Colleville Sur-Mer, France | 9,387 | 1,557 | 172.5 | WW II | 545,800 |
| Oisne-Aisne American Cemetery | Fere-en-Tardenois, France | 6,012 | 241 | 36.5 | WW I | 66,600 |
| Somme American Cemetery | Bony, (Aisne), France | 1,844 | 333 | 14.3 | WW I | 65,500 |
| St. Mihiel American Cemetery | Thiaucourt, Meurthe, France | 4,153 | 284 | 40.5 | WW I | 66,000 |
| Suresnes American Cemetery | Seine, France | 1,565 | 974 | 7.5 | WW I/II | 140,100 |
| <u>Mediterranean Region</u> | | | | | | |
| Florence American Cemetery | Florence, Italy | 4,402 | 1,409 | 70.0 | WW II | 458,284 |
| North Africa American Cemetery | Carthage, Tunisia | 2,841 | 3,724 | 27.0 | WW II | 81,300 |
| Rhone American Cemetery | Draguignan, Var, France | 861 | 294 | 12.5 | WW II | 169,313 |
| Sicily-Rome American Cemetery | Nettuno, Italy | 7,861 | 3,095 | 77.0 | WW II | 353,317 |
| <u>Other</u> | | | | | | |
| Corozal American Cemetery | Panama City, Panama | 5,044 | | 16.0 | * | 162,000 |
| Mexico City American Cemetery | Mexico City, Mexico | 1,563 | | 1.0 | Mex Am | 9,000 |
| Manila American Cemetery | Luzon, Phillipines | 17,206 | 36,282 | 152.0 | WW II | 610,800 |
| Subtotal | | 130,771 | 60,311 | 1,272.3 | | \$4,024,534 |

* Acquired by Executive Order from the former Panama Canal Zone

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27 MEMORIALS, MONUMENTS & MARKERS

| <u>Name</u> | <u>Location</u> | <u>Entered</u> | <u>Memorialized</u> | <u>Acres</u> | <u>War</u> | <u>Deferred Maintenance</u> |
|--|----------------------------------|----------------|---------------------|--------------|---------------------|-----------------------------|
| American Expeditionary Forces Monument | Washington, DC | | | 0.1 | WW I | |
| East Coast Memorial | New York City, NY | | 4,601 | 0.8 | WW II | \$40,000 |
| Honolulu Memorial | Honolulu, HI | | 28,796 | 1.0 | WW II/Korea/Vietnam | 205,000 |
| Korean War Veterans Memorial | Washington, DC | | 37,278 | 7.5 | Korea | |
| West Coast Memorial | San Francisco, CA | | 412 | 1.3 | WW II | |
| Audenarde Monument | Audenarde, Belgium | | | 0.4 | WW I | 15,000 |
| Bellicourt Monument | St. Quentin, France | | | 1.8 | WW I | 4,000 |
| Brest Naval Monument | Brest, France | | | 1.0 | WW I | 5,000 |
| Cabanatuan Memorial | Luzon, Philippines | | | | WW II | 96,500 |
| Cantigny Monument | Cantigny, France | | | 0.4 | WW I | 8,000 |
| Chateau-Thierry Monument | Chateau-Thierry, France | | | 58.9 | WW I | 3,500 |
| Chavmont Marker | Chavmont, France | | | | WW I | |
| Gibraltar Naval Monument | Gibraltar | | | 0.1 | WW I | |
| Guadalcanal Memorial | Guadalcanal | | | 0.5 | WW II | |
| Kemmel Monument | Ypres, Belgium | | | 0.2 | WW I | |
| Marine Monument Belleau Wood | Aisne, France | | | 199.6 | WW I | |
| Montfaucon Monument | Montfaucon, France | | | 9.6 | WW I | 19,500 |
| Montsec Monument | Thiaccourt, France | | | 47.5 | WW I | |
| Papua Marker | Port Moresby, New Guinea | | | | WW II | |
| Point du Hoc Ranger Monument | St. Laurent-sur-Mer, France | | | 29.8 | WW II | 75,000 |
| Saipan Monument | Saipan, Northern Mariana Islands | | | | WW II | 50,000 |
| Santiago Surrender Tree | Santiago, Cuba | | | | Sp American War | |
| Sommeepy Monument | Sommeepy, France | | | 15.0 | WW I | 100,000 |
| Souilly Marker | Souilly, France | | | | WW I | |
| Tours Monument | Tours, France | | | 0.5 | WW I | |
| Utah Beach Monument | Sainte Marie-du-Mont, France | | | 0.5 | WW II | |
| Western Naval Task Force Memorial | Casablanca, Morocco | | | | WW II | |

OTHER

| | | | | |
|---------------------------------|---------|---------|---------|-------------|
| European Region Archives Office | | | | 68,400 |
| Subtotal | 0 | 71,087 | 376.5 | 689,900 |
| Grand Total | 130,771 | 131,398 | 1,648.8 | \$4,714,434 |

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Note to Statement of Heritage Assets

American Battle Monuments Commission
Note to Statement of Heritage Assets
(Unaudited)

Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been. ABMC has deferred maintenance at many of its properties. Condition inspections of real property utilizing the condition assessment survey methodology are conducted at least biennially. As a result of these inspections, ABMC estimates the cost to perform maintenance identified as necessary, but unperformed, during the current accounting period.

Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$5.6 million in FY 2000, \$6.1 million in FY 1999, and \$5.9 million in FY 1998, most of which was applied to deferred maintenance projects. Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. Using these condition assessment surveys, 272 engineering maintenance projects with an estimated cost of \$4.7 million were identified as of September 30, 2000, to be performed in future years as necessary to maintain real property in an acceptable condition. However, the actual cost of deferred maintenance projects is dependent upon future events but is not expected to exceed \$7 million.

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